

Message Text

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PAGE 01 GENEVA 03128 01 OF 02 172321Z

73

ACTION EB-11

INFO OCT-01 ISO-00 IO-14 AF-10 ARA-16 EA-11 EUR-25 NEA-14

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STR-08 TRSE-00 CIEP-02 CEA-02 L-03 DRC-01 /188 W

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R 171730Z MAY 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 5856

INFO USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 GENEVA 3128/1

E.O. 11652: N/A

TAGS: EAID, UNCTAD, EFIN, ETRD

SUBJECT: UNCTAD: SECOND MEETING OF EXPERTS ON CONCEPTS OF
PRESENT AID AND FLOW TARGETS - MAY 13-16

REF: TD/B/C.3/AC.7/4

BEGIN SUMMARY: IN MARKED CONTRAST TO FIRST EXPERTS' MEETING LAST YEAR (AND TO AD HOC MEETING ON DEBT LAST WEEK), REPRESENTATIVES AT SUBJECT MEETING ENGAGED IN WIDE-RANGING AND THOUGHTFUL EXCHANGE OF VIEWS WITH MINIMUM OF POLITICAL POLEMICS. LDC REPS, LED BY MARINHO OF BRAZIL AND JALAN OF INDIA, PARTICIPATED ACTIVELY IN DISCUSSION. TYPICAL UNCTAD CONFRONTATION DID NOT MATERIALIZE. MEETING WAS EFFECTIVELY CHAIRED BY PAUL BLANC (FRANCE) WHO KEPT DISCUSSION TECHNICAL, LET EXPERTS EXPRESS THEIR VARIOUS OPINIONS AND THEN SUMMED DISCUSSION SEC GEN TO TAKE INTO ACCOUNT WHEN PREPARING HIS REPORT TO TDB. NO DEFINITIVE CONCLUSIONS WERE REACHED ON MODIFYING TARGETS. MAJORITY VIEW WAS THAT ONE PERCENT TARGET SHOULD BE DE-EMPHASIZED IN FAVOR 0.7 PERCENT TARGET WITH INTEREST RE-FLOWS NETTED OUT. (UK ANNOUNCED ACCPETANCE 0.7 PERCENT TARGET WITHOUT DATE). BRAZILIAN EXPERT FLOATED PROPOSAL FOR GRANT-
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PAGE 02 GENEVA 03128 01 OF 02 172321Z

EQUIVALENT TARGET AND INDIAN EXPERT PUT FORWARD PAPER

DEALING WITH TERMS HARMONIZATION. BOTH WERE DISCUSSED AT LENGTH AND WILL BE CONSIDERED BY SEC GEN IN FRAMING HIS REPORT. END SUMMARY

1. MOST ACTIVE PARTICIPANTS IN MEETING WERE BRAZIL, INDIA, NIGERIA, ALGERIA, UK, NETHERLANDS, SWEDEN, JAPAN, US AND FRANCE (CHAIRMAN). AS AT PREVIOUS MEETING, SWEDISH AND DUTCH EXPERTS FOUND THEMSELVES CLOSE TO LDCS ON MOST ISSUES. BRAZILIAN AND INDIAN EXPERTS WERE BEST PREPARED AMONG LDC REPS. THEY KEPT THEIR COMMENTS TECHNICAL AND DISAGREED OPENLY ON MANY POINTS. ALGERIAN AND NIGERIAN EXPERTS TOOK EXTREME POSITIONS AT TIMES. IN GENERAL, EXPERTS AVOIDED CONFRONTATION IN EXPRESSING THEIR VIEWS AND WERE SATISFIED TO LET SEC GEN TAKE ACCOUNT OF THEM IN HIS REPORT. MAIN ITEMS DISCUSSED WERE:

2. CRITERIA FOR ODA: SOME LDC EXPERTS QUESTIONED DAC PRACTICE OF RELYING ON DONORS TO DETERMINE WHICH TRANS-ACTIONS ARE DEVELOPMENT-MOTIVATED LDC REPS REQUESTED AND RECEIVED LIST OF TRANSACTIONS DAC EXCLUDES FROM ODA. CHAIRMAN NOTED THAT IN CLASSIFYING EXPENDITURES FOR CULTURAL PROGRAMS AS ODA DONORS SHOULD ENSURE TRANS-ACTIONS ARE DEVELOPMENT-MOTIVATED. THERE WAS DISAGREEMENT OVER WHETHER ADMIN COSTS SHOULD BE COUNTED IN ODA. ALGERIAN REP SUGGESTED LOANS FOR CONSUMPTION ITEMS SHOULD BE EXCLUDED FROM ODA. DISCUSSION OF 25 PERCENT GRANT ELEMENT THRESHOLD, WHICH SOME EXPERTS FELT SHOULD BE RAISED, REVEALED SOMEWHAT SURPRISING UNANIMITY OF OPINION AMONG SWEDISH, DUTCH, UK, JAPANESE AND FRENCH EXPERT WHO FELT DAC SHOULD BE CAUTIOUS LEST SOME DONORS LOSE FLEXIBILITY REQUIRED TO INCREASE ODA. US RAISED POINT THAT 10 PERCENT DISCOUNT RATE TOO LOW IN VIEW CURRENT INTEREST RATES, BUT RECEIVED NO SUPPORT.

3. BRAZILIAN PROPOSAL. WITH AN EYE TOWARD ENCOURAGING INCREASED FLOW OF OOF OR HARDER-TERMED ODA TO MORE ADVANCED LDCS SUCH AS HIS OWN, BRAZILIAN EXPERT PROPOSED ADOPTION OF GRANT-EQUIVALENT TARGET. TWENTY-FIVE PERCENT THRESHOLD WOULD BE DROPPED AND BOTH ODA AND OOF COULD BE COUNTED TOWARD TARGET. HIS FIRST PROPOSAL WOULD HAVE

UNCLASSIFIED

PAGE 03 GENEVA 03128 01 OF 02 172321Z

MADE 0.7 PERCENT TARGET EASIER TO ATTAIN. AFTER DISCUSSION WITH OTHER LDC EXPERTS, SWEDEN AND UK, WHO DID NOT WISH IN EFFECT TO DISCARD 0.7 PERCENT TARGET AS PRESENTLY CONCEIVED, AND ISSUANCE OF TECHNICAL NOTE ON PROPOSAL BY SECRETARIAT, BRAZILIAN DEL BACKED OFF FROM IDEA THAT OOF FLOWS (EXPORT CREDITS AT LEAST) COULD BE COUNTED TOWARD TARGET. HE ASSERTED HE WAS NOT PROPOSING 0.7 PERCENT TARGET BE DROPPED. QUESTION OF WHETHER THRESHOLD WOULD STILL APPLY LEFT OPEN.

SECGEN WILL CONSIDER ADVISABILITY OF RECOMMENDING CONSIDERATION
OF GRANT EQUIVALENT TARGET TO TDB.

4. INDIAN EXPERT PROPOSED INTERIM PLAN FOR HARMONIZING
TERMS UNTIL "APPROPRIATE TERMS" FOR RESPECTIVE LDCS
COULD BE AGREED UPON. IDEA WAS TO COMMIT EACH DONOR
TO FIX TERMS OF NEW LOANS TO SPECIFIC LDCS AT TERMS OF
SOFTEST LOAN DONOR CURRENTLY PROVIDING THAT LDC. GROUP
AGREED TERMS HARMONIZATION DESIRABLE, BUT SOME EXPERTS,
ESPECIALLY UK AND JAPANESE, FELT IT WOULD BE WRONG TO
OBLIGE DONORS TO FIX SAME TERMS FOR EACH LOAN TRANSACTION
WITH AN LDC. US AND OTHERS FELT PROPOSAL WOULD UNWISELY
RESTRICT LENDERS TO TERMS AGREED UPON IN PAST UNDER
DIFFERENT CIRCUMSTANCES. BRAZILIAN EXPERT SAID NOT ALL LDCS
WISHED TO RESTRICT LENDERS TO ONE SET OF TERMS. PROPOSAL
SLIGHTLY REVISED BY INDIAN EXPERT, AND IT WILL BE
CONSIDERED BY SEC GEN.

5. NET FLOW VERSUS NET TRANSFER. MAJORITY OF EXPERTS
EXPRESSED PREFERENCE FOR ADOPTION OF NET TRANSFER CONCEPT.
OTHER EXPERTS ARGUED STATISTICS MEANT TO MEASURE BURDEN
BORNE BY DONORS AND THAT 0.7 PERCENT TARGET WAS FORMULATED ON
NET FLOW BASIS AND WOULD HAVE TO BE RE-EXAMINED IF NET
TRANSFER ADOPTED. WITHOUT COMPROMISING THEIR POSITIONS,
EXPERTS AGREED IT COULD BE COUNTER-PRODUCTIVE TO TAMPER
WITH 0.7 PERCENT TARGET. SEC GEN WAS AGAIN ASKED TO CON-
SIDER BOTH ARGUMENTS IN PREPARING HIS REPORT.

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PAGE 01 GENEVA 03128 02 OF 02 172316Z

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UNCLAS SECTION 2 OF 2 GENEVA 3128/2

6. VALUATION ISSUES. SINCE DAC DIRECTIVES NOW REQUIRE FOOD AID TO BE VALUED AT WORLD MARKET PRICES, EXPERTS DID NOT DISCUSS THIS ISSUE. SOME LDC EXPERTS ARGUED THAT DONORS SHOULD NOT RECORD "HIGH" COST OF TECHNICAL ASSISTANCE EXPORTS FROM DEVELOPED COUNTRIES IN STATISTICS, BUT GROUP AGREED SINCE WORLD MARKET PRICES FOR EXPORTS COULD NOT BE DETERMINED, ISSUE WAS NON-STARTER. SIMILARLY SOME DELS, INCLUDING SWEDEN, GERMANY, AND NETHERLANDS, NOTED COST OF GOODS FINANCED WITH TIED RESOURCES OFTEN HIGHER THAN GOODS AVAILABLE ELSEWHERE. SINCE PRICES VARY IN DIFFERENT CIRCUMSTANCES, GROUP DECIDED NO EFFORT SHOULD BE MADE TO COMPENSATE FOR TYING IN STATISTICS.

7. 1 PERCENT TARGET. MAJORITY WISHED TO DE-EMPHASIZE 1 PERCENT FIGURE AS TARGET EVEN THOUGH SOME DC EXPORTS NOTED DEVELOPMENTAL VALUE OF PRIVATE CAPITAL AND RECOGNIZED VALUE OF ESTABLISHED AND WIDELY-KNOWN 1 PERCENT TARGET. MANY EXPORTS TENDED TO REGARD 1 PERCENT AS BENCHMARK FIGURE TO BE USED IN STATISTICAL ACCOUNTING OF RESOURCE TRANSFERS TO LDCS. GROUP DNDORSED SECRETARIAT SUGGESTION THAT STATISTICS ON PRIVATE TRANSFERS TO AND FROM LDCS RELEVANT TO 1 PERCENT TARGET SHOULD BE IMPROVED. HOWEVER, US AND OTHER EXPERTS DISTINGUISHED BETWEEN REQUIREMENTS FOR IMPROVE STATISTICS AND ADOPTION UNCLASSIFIED

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PAGE 02 GENEVA 03128 02 OF 02 172316Z

OF NAR CONCEPT IN CONNECTION WITH 1 PERCENT TARGET, WHICH THEY HELD WOULD REQUIRE REVISION 1 PERCENT TARGET THAT HAD BEEN ACCEPTED ON DIFFERENT BASIS. SEVERAL EXPORTS NOTED DIFFICULTY OF OBTAINING STATISTICS ON REVERSE FLOWS IN PRIVATE SECTOR. IMPORTANCE OF ACCOUNTING FOR LDC BORROWING IN EURO CURRENCY MARKET WAS RECOGNIZED. PROPOSAL BY DUTCH EXPORT THAT STATISTICS BE OBTAINED FROM RECIPIENTS RATHER THAN DONORS RECEIVED GENERAL SUPPORT. US EMPHASIZED IMPORTANCE OF ELIMINATING RICH OIL-PRODUCING COUNTRIES FROM LDC LIST SINCE ACCOUNTING FOR RESOURCE TRANSFERS ON NET BASIS WOULD OTHERWISE BE DISTORTED.

8. GEOGRAPHICAL COVERAGE ISSUES. WELL-KNOWN POSITIONS RE INCLUSION OF FLOWS TO DEPENDENCIES REPEATED BY EXPERTS AND NO CONCLUSIONS REACHED. GROUP DECIDED TO ASK SEC GEN TO CONSIDER TWO PROPOSALS FOR RECONCILING DAC AND UN LISTS OF LDCS: LEAVE DECISION WHETHER TO DESIGNATE ITSELF AS LDC UP TO EACH COUNTRY OR ASK TDB TO FIX ECONOMIC CRITERIA FOR INCLUSION IN LIST. ROMANIAN OBSERVER MADE PITCH FOR HIS COUNTRY TO BE CONSIDERED LDC. OECD SECRETARIAT PROPOSAL FOR \$1000 GNP PER CAPITA

CUTOFF ALSO NOTED WITH APPROVAL BY SOME EXPERTS.

9. INSTITUTIONAL ISSUES. SECRETARIAT PRESENTED TWO ISSUES: (A) AVAILABILITY OF RESOURCE FLOW DATA TO UNCTAD FOR EVALUATION OF DONOR PERFORMANCE AGAINST DD-II TARGETS, AND (B) NEED FOR INTERNATIONAL REVIEW OF DONOR PERFORMANCE. MOST EXPERTS FROM DAC COUNTRIES FAVORED FULL DISCLOSURE TO UNCTAD OF STATISTICS DAC MEMBERS SUBMIT TO OECD. GROUP DECIDED UNCTAD SECRETARIAT SHOULD MAKE REQUEST TO DAC IN WHICH IT WOULD SPECIFY WHICH STATISTICS IT REQUIRES SO THAT DAC CAN TAKE ACTION. BRAZILIAN EXPERT NOTED C-20 TECHNICAL SUBCOMMITTEE PROPOSAL FOR SETUP OF MINISTERIAL COMMITTEE UNDER IBRD TO CONSIDER RESOURCE TRANSFER ISSUES. EXPERTS FROM JAPAN, UK, PHILIPPINES, ALGERIA AND INDIA TENDED TO FAVOR CONCENTRATING ON IMPROVING EFFORTS IN EXISTING INTERNATIONAL BODIES. THEY WERE WARY OF SETTING UP NEW GROUP. US SUPPORTED GREATER EXCHANGE OF VIEWS AT INTERNATIONAL LEVEL ON RESOURCE TRANSFERS, REMAINED OPEN-MINDED ON MACHINERY, AND SUGGESTED IN ADDITION TO POSSIBILITY ENVISIONED BY C-20 SUBCOMMITTEE, UNCLASSIFIED

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PAGE 03 GENEVA 03128 02 OF 02 172316Z

PERHAPS DAC COULD HOLD MEETING INVITING SOME LDCS AND UNCTAD REPSOR, ALTERNATIVELY, SECGEN COULD BE ASKED TO CONSIDER RE-CONVENING EXPERTS GROUP AGAIN. CHAIRMAN CONCLUDED IT WAS NOT UP TO GROUP TO DECIDE WHETHER NEW BODY SHOULD BE SET UP AND THAT SECGEN SHOULD BE LEFT TO DECIDE WHAT HE WOULD RECOMMEND TO TDB IN LIGHT OF AVAILABILITY OF DATA FROM DAC AND OUTCOME OF C-20 SUBCOMMITTEE'S RECOMMENDATION. ABRAMS

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